

1 administrative, operational, and property cost centers, and the return
 2 on investment (ROI), for all rate periods thereafter.

3 Sec. 103. RCW 74.46.470 and 1993 sp.s. c 13 s 11 are each amended
 4 to read as follows:

5 (1) A contractor's (~~reimbursement~~) nursing facility per resident
 6 day component rates for medical care recipients (~~will~~) shall be
 7 determined as provided in this chapter utilizing net invested funds and
 8 desk-reviewed cost report data within the following cost centers:

- 9 (a) Nursing services;
- 10 (b) Food;
- 11 (c) Administrative;
- 12 (d) Operational; and
- 13 (e) Property.

14 (2) There shall be for the time period January 1988 through June
 15 1990 only an enhancement cost center established to reimburse
 16 contractors for specific legislatively authorized enhancements for
 17 nonadministrative wages and benefits to ensure that such enhancements
 18 are used exclusively for the legislatively authorized purposes. For
 19 purposes of settlement, funds appropriated to this cost center shall
 20 only be used for expenditures for which the legislative authorization
 21 is granted. Such funds may be used only in the following
 22 circumstances:

23 (a) The contractor has increased expenditures for which legislative
 24 authorization is granted to at least the highest level paid in any of
 25 the last three cost years, plus, beginning July 1, 1987, any percentage
 26 inflation adjustment as was granted each year under RCW 74.46.495; and

27 (b) All funds shifted from the enhancement cost center are shown to
 28 have been expended for legislatively authorized enhancements.

29 (3) If the contractor does not spend the amount appropriated to
 30 this cost center in the legislatively authorized manner, then the
 31 amounts not appropriately spent shall be recouped at preliminary or
 32 final settlement pursuant to RCW 74.46.160.

33 (4) For purposes of this section, "nonadministrative wages and
 34 benefits" means wages and payroll taxes paid with respect to, and the
 35 employer share of the cost of benefits provided to, employees in job
 36 classes specified in an appropriation, which may not include
 37 administrators, assistant administrators, or administrators in
 38 training.

(5) Amounts expended in the enhancement cost center in excess of the minimum wage established under RCW 74.46.430 are subject to all provisions contained in this chapter.

Sec. 104. RCW 74.46.481 and 1993 sp.s. c 13 s 12 are each amended to read as follows:

(1) The nursing services cost center shall include for reporting and audit purposes all costs related to the direct provision of nursing and related care, including fringe benefits and payroll taxes for the nursing and related care personnel, and the cost of nursing supplies. The department shall adopt by administrative rule a definition of "related care". For rates effective after June 30, 1991, nursing services costs, as reimbursed within this chapter, shall not include costs of any purchased nursing care services, including registered nurse, licensed practical nurse, and nurse assistant services, obtained through service contract arrangement in excess of the amount of compensation paid for such hours of nursing care service had they been paid at the average hourly wage, including related taxes and benefits, for in-house nursing care staff of like classification at the same nursing facility, as reported in the most recent cost report period.

(2) The department shall adopt through administrative rules a method for establishing a nursing services cost center rate consistent with the principles stated in this section.

(3) Utilizing regression or other statistical technique, the department shall determine a reasonable limit on facility nursing staff taking into account facility patient characteristics. For purposes of this section, facility nursing staff refers to registered nurses, licensed practical nurses and nursing assistants employed by the facility or obtained through temporary labor contract arrangements. Effective January 1, 1988, the hours associated with the training of nursing assistants and the supervision of that training for nursing assistants shall not be included in the calculation of facility nursing staff. In selecting a measure of patient characteristics, the department shall take into account:

(a) The correlation between alternative measures and facility nursing staff; and

(b) The cost of collecting information for and computation of a measure.

1 If regression is used, the limit shall be set at predicted nursing
2 staff plus 1.75 regression standard errors. If another statistical
3 method is utilized, the limit shall be set at a level corresponding to
4 1.75 standard errors above predicted staffing computed according to a
5 regression procedure. A regression calculated shall be effective for
6 the entire biennium.

7 (4) No facility shall receive reimbursement for nursing staff
8 levels in excess of the limit. However, nursing staff levels
9 established under subsection (3) of this section shall not apply to the
10 nursing services cost center reimbursement rate only for the pilot
11 facility especially designed to meet the needs of persons living with
12 AIDS as defined by RCW 70.24.017 and specifically authorized for this
13 purpose under the 1989 amendment to the Washington state health plan.

14 (5) (~~Every two years when rates are set at the beginning of each~~
15 ~~new biennium~~) For July 1, 1995, rate setting only, the department
16 shall divide into two peer groups nursing facilities located in the
17 state of Washington providing services to medicaid residents: (a)
18 Those facilities located within a metropolitan statistical area as
19 defined and determined by the United States office of management and
20 budget or other applicable federal office (MSA) and (b) those not
21 located in such an area (non-MSA). The facilities in each peer group
22 shall then be arrayed from lowest to highest by magnitude of per
23 (~~patient~~) resident day desk-reviewed, adjusted nursing services cost
24 from the (~~prior~~) 1994 calendar report year, regardless of whether any
25 such adjustments are contested by the nursing facility, and the median
26 or fiftieth percentile cost for each peer group shall be determined.
27 Nursing services component rates for facilities within each peer group
28 (~~for the first year of the biennium~~) shall be set at the lower of the
29 facility's desk-reviewed, adjusted per (~~patient~~) resident day nursing
30 services cost from the (~~prior~~) 1994 report period or the median cost
31 for the facility's peer group, utilizing the same calendar year report
32 data plus twenty-five percent. This rate shall be reduced or inflated
33 as authorized by RCW 74.46.420. However, the per patient day peer
34 group median cost plus twenty-five percent limit shall not apply to the
35 nursing services cost center reimbursement rate only for the pilot
36 facility especially designed to meet the needs of persons living with
37 AIDS as defined by RCW 70.24.017 and specifically authorized for this
38 purpose under the 1989 amendment to the Washington state health plan.

(6) ~~((If a nursing facility is impacted by the limit authorized in subsection (5) of this section, it shall not receive a prospective rate in nursing services for July 1, 1993, less than the same facility's prospective rate in nursing services as of June 30, 1993, adjusted by any increase in the implicit price deflator for personal consumption expenditures, IPD index, as measured over the period authorized by RCW 74.46.420(3)).~~

~~(7)) For rates effective July 1, 1996, a nursing facility's noncost-rebased component rate in nursing services ((for the second year of each biennium)) shall be that facility's nursing services component rate ((as of July 1 of the first year of that biennium)) existing on June 30, 1996, reduced or inflated as authorized by RCW 74.46.420. ((The alternating procedures prescribed in this section for a facility's two July 1 nursing services rates occurring within each biennium shall be followed in the same order for each succeeding biennium.)) The July 1, 1996, nursing services component rate used to calculate the return on investment (ROI) component rate shall be the inflated prospective nursing services rate as of June 30, 1996, excluding any rate increases granted pursuant to RCW 74.46.460.~~

(7) For rates effective July 1, 1997, a nursing facility's noncost-rebased component rate in nursing services shall be that facility's nursing services component rate existing on June 30, 1997, reduced or inflated as authorized by RCW 74.46.420. The July 1, 1997, nursing services component rate used to calculate the return on investment (ROI) component rate shall be the inflated prospective nursing services rate as of June 30, 1997, excluding any rate increases granted pursuant to RCW 74.46.460.

(8) Median cost~~((s))~~ limits for peer groups shall be calculated initially for July 1, 1995, rate setting as provided in this chapter on the basis of ((the most recent)) adjusted 1994 nursing services cost report information available to the department prior to the calculation of the new rates for July 1, 1995 ((of the first fiscal year of each biennium)), regardless of whether the adjustments are contested or subject to pending administrative or judicial review. Median costs for peer groups shall be recalculated as provided in this chapter on the basis of the most recent adjusted cost information available to the department on October 31, 1995 ~~((of the first fiscal year of each biennium))~~, and shall apply retroactively to ~~((the prior))~~ July 1, 1995, rates, regardless of whether the adjustments are contested or

1 subject to pending administrative or judicial review. Median cost ((e))
2 limits, once calculated using October 31, 1995, adjusted cost
3 information shall not be adjusted to reflect subsequent administrative
4 or judicial rulings, whether final or not.

5 (9) The department is authorized to determine on a systematic basis
6 facilities with unmet patient care service needs. The department may
7 increase the nursing services cost center prospective rate for a
8 facility beyond the level determined in accordance with subsection (6)
9 of this section if the facility's actual and reported nursing staffing
10 is one standard error or more below predicted staffing as determined
11 according to the method selected pursuant to subsection (3) of this
12 section and the facility has unmet patient care service needs:
13 PROVIDED, That prospective rate increases authorized by this subsection
14 shall be funded only from legislative appropriations made for this
15 purpose during the periods authorized by such appropriations or other
16 laws and the increases shall be conditioned on specified improvements
17 in patient care at such facilities.

18 (10) The department shall establish a method for identifying
19 patients with exceptional care requirements and a method for
20 establishing or negotiating on a consistent basis rates for such
21 patients.

22 (11) The department, in consultation with interested parties, shall
23 adopt rules to establish the criteria the department will use in
24 reviewing any requests by a contractor for a prospective rate
25 adjustment to be used to increase the number of nursing staff. These
26 rules shall also specify the time period for submission and review of
27 staffing requests: PROVIDED, That a decision on a staffing request
28 shall not take longer than sixty days from the date the department
29 receives such a complete request. In establishing the criteria, the
30 department may consider, but is not limited to, the following:

31 (a) Increases in debility levels of contractors' residents
32 determined in accordance with the department's assessment and reporting
33 procedures and requirements utilizing the minimum data set;

34 (b) Staffing patterns for similar facilities in the same peer
35 group;

36 (c) Physical plant of contractor; and

37 (d) Survey, inspection of care, and department consultation
38 results.

1 Sec. 105. RCW 74.46.490 and 1995 sp.s. c 13 s 13 are each amended
2 to read as follows:

3 (1) The food cost center shall include for reporting purposes all
4 costs for bulk and raw food and beverages purchased for the dietary
5 needs of medical care recipients.

6 (2) ~~((Every two years when rates are set at the beginning of each~~
7 ~~new biennium))~~ For July 1, 1995, rate setting only, the department
8 shall divide into two peer groups nursing facilities located in the
9 state of Washington providing services to medicaid residents: (a)
10 Those facilities located within a metropolitan statistical area as
11 defined and determined by the United States office of management and
12 budget or other applicable federal office (MSA) and (b) those not
13 located in such an area (non-MSA). The facilities in each peer group
14 shall then be arrayed from lowest to highest by magnitude of per
15 ~~((patient))~~ resident day desk-reviewed, adjusted food cost from the
16 ~~((prior))~~ 1994 calendar report year, regardless of whether any such
17 adjustments are contested by the nursing facility, and the median or
18 fiftieth percentile cost for each peer group shall be determined. Food
19 component rates for facilities within each peer group ~~((for the first~~
20 ~~year of the biennium))~~ shall be set at the lower of the facility's
21 desk-reviewed, adjusted per ~~((patient))~~ resident day food cost from the
22 ~~((prior))~~ 1994 report period or the median cost for the facility's peer
23 group, using the same calendar year report data, plus twenty-five
24 percent. This rate shall be reduced or inflated as authorized by RCW
25 74.46.420.

26 (3) For rates effective July 1, 1996, a nursing facility's noncost-
27 rebased food component rate ~~((for the second year of each biennium))~~
28 shall be that facility's food component rate ~~((as of July 1 of the~~
29 ~~first year of that biennium))~~ existing on June 30, 1996, reduced or
30 inflated as authorized by RCW 74.46.420. ~~((The alternating procedures~~
31 ~~prescribed in this section for a facility's two July 1 food rates~~
32 ~~occurring within each biennium shall be followed in the same order for~~
33 ~~each succeeding biennium.))~~ The July 1, 1996, food component rate used
34 to calculate the return on investment (ROI) component rate shall be the
35 inflated prospective food component rate as of June 30, 1996, excluding
36 any rate increases granted pursuant to RCW 74.46.460.

37 (4) For rates effective July 1, 1997, a nursing facility's noncost-
38 rebased food component rate shall be that facility's food component
39 rate existing on June 30, 1997, reduced or inflated as authorized by

RCW 74.46.420. The July 1, 1997, food component rate used to calculate the return on investment (ROI) component rate shall be the inflated prospective food component rate as of June 30, 1997, excluding any rate increases granted pursuant to RCW 74.46.460.

~~((+4+))~~ (5) Median cost(~~(s)~~) limits for peer groups shall be calculated initially for July 1, 1995, rate setting as provided in this chapter on the basis of ~~((the most recent))~~ adjusted 1994 food cost report information available to the department prior to the calculation of the new rates for July 1, 1995 ~~((of the first fiscal year of each biennium))~~, regardless of whether the adjustments are contested or subject to pending administrative or judicial review. Median costs for peer groups shall be recalculated as provided in this chapter on the basis of the most recent adjusted cost information available to the department on October 31, 1995 ~~((of the first fiscal year of each biennium))~~, and shall apply retroactively to ~~((the prior))~~ July 1, 1995, rates, regardless of whether the adjustments are contested or subject to pending administrative or judicial review. Median cost(~~(s)~~) limits, once calculated utilizing October 31, 1995, adjusted cost information, shall not be adjusted to reflect subsequent administrative or judicial rulings, whether final or not.

Sec. 106. RCW 74.46.500 and 1993 sp.s. c 13 s 14 are each amended to read as follows:

(1) The administrative cost center shall include for cost reporting purposes all administrative, oversight, and management costs whether facility on-site or allocated in accordance with a department-approved joint-cost allocation methodology. Such costs shall be identical to the cost report line item costs categorized under "general and administrative" in the "administration and operations" combined cost center existing prior to January 1, 1993, except for nursing supplies and purchased medical records.

~~((Every two years when rates are set at the beginning of each new biennium))~~ For July 1, 1995, rate setting only, the department shall divide into two peer groups nursing facilities located in the state of Washington providing services to medicaid residents: (a) Those facilities located within a metropolitan statistical area as defined and determined by the United States office of management and budget or other applicable federal office (MSA) and (b) those not located in such an area (non-MSA). The facilities in each peer group

1 shall then be arrayed from lowest to highest by magnitude of per
 2 ~~((patient))~~ resident day desk-reviewed, adjusted administrative cost
 from the ~~((prior))~~ 1994 calendar report year, regardless of whether any
 4 such adjustments are contested by the nursing facility, and the median
 5 or fiftieth percentile cost for each peer group shall be determined.
 6 Administrative component rates for facilities within each peer group
 7 ~~((for the first year of the biennium))~~ shall be set at the lower of the
 8 facility's desk-reviewed, adjusted per ~~((patient))~~ resident day
 9 administrative cost from the ~~((prior))~~ 1994 report period or the median
 10 cost for the facility's peer group, utilizing the same calendar year
 11 report data, plus ten percent. This rate shall be reduced or inflated
 12 as authorized by RCW 74.46.420.

13 (3) For rates effective July 1, 1996, a nursing facility's noncost-
 14 rebased administrative component rate ~~((for the second year of each~~
 15 biennium)) shall be that facility's administrative component rate ~~((as~~
 16 of July 1 of the first year of that biennium)) existing on June 30,
 17 1996, reduced or inflated as authorized by RCW 74.46.420. ~~((The~~
 18 alternating procedures prescribed in this section for a facility's two
 19 July 1 administrative rates occurring within each biennium shall be
 20 followed in the same order for each succeeding biennium.)) The July 1,
 21 1996, administrative component rate used to calculate the return on
 22 investment (ROI) component rate shall be the inflated prospective
 23 administrative component rate as of June 30, 1996, excluding any rate
 24 increases granted pursuant to RCW 74.46.460.

25 (4) For rates effective July 1, 1997, a nursing facility's noncost-
 26 rebased administrative component rate shall be that facility's
 27 administrative component rate existing on June 30, 1997, reduced or
 28 inflated as authorized by RCW 74.46.420. The July 1, 1997,
 29 administrative component rate used to calculate the return on
 30 investment (ROI) component rate shall be the inflated prospective
 31 administrative component rate as of June 30, 1997, excluding any rate
 32 increases granted pursuant to RCW 74.46.460.

33 ~~((+4))~~ (5) Median cost ~~((s))~~ limits for peer groups shall be
 34 calculated initially for July 1, 1995, rate setting as provided in this
 35 chapter on the basis of ~~((the most recent))~~ adjusted 1994
 36 administrative cost report information available to the department
 prior to the calculation of the new rates for July 1, 1995 ~~((of the~~
 38 first fiscal year of each biennium)), regardless of whether the
 39 adjustments are contested or subject to pending administrative or

1 judicial review. Median costs for peer groups shall be recalculated as
 2 provided in this chapter on the basis of the most recent adjusted cost
 3 information available to the department on October 31, 1995 (~~of the~~
 4 ~~first fiscal year of each biennium~~), and shall apply retroactively to
 5 (~~the prior~~) July 1, 1995, rates, regardless of whether the
 6 adjustments are contested or subject to pending administrative or
 7 judicial review. Median cost(~~s~~) limits, once calculated utilizing
 8 October 31, 1995, adjusted cost information, shall not be adjusted to
 9 reflect subsequent administrative or judicial rulings, whether final or
 10 not.

11 Sec. 107. RCW 74.46.505 and 1993 sp.s. c 13 s 15 are each amended
 12 to read as follows:

13 (1) The operational cost center shall include for cost reporting
 14 purposes all allowable costs of the daily operation of the facility not
 15 included in nursing services and related care, food, administrative, or
 16 property costs, whether such costs are facility on-site or allocated in
 17 accordance with a department-approved joint-cost allocation
 18 methodology.

19 (2) (~~Every two years when rates are set at the beginning of each~~
 20 ~~new biennium~~) For July 1, 1995, rate setting only, the department
 21 shall divide into two peer groups nursing facilities located in the
 22 state of Washington providing services to medicaid residents: (a)
 23 Those facilities located within a metropolitan statistical area as
 24 defined and determined by the United States office of management and
 25 budget or other applicable federal office (MSA) and (b) those not
 26 located in such an area (non-MSA). The facilities in each peer group
 27 shall then be arrayed from lowest to highest by magnitude of per
 28 (~~patient~~) resident day desk-reviewed, adjusted operational cost from
 29 the (~~prior~~) 1994 calendar report year, regardless of whether any such
 30 adjustments are contested by the nursing facility, and the median or
 31 fiftieth percentile cost for each peer group shall be determined.
 32 Operational component rates for facilities within each peer group (~~for~~
 33 ~~the first year of the biennium~~) shall be set at the lower of the
 34 facility's desk-reviewed, adjusted per (~~patient~~) resident day
 35 operational cost from the (~~prior~~) 1994 report period or the median
 36 cost for the facility's peer group, utilizing the same calendar year
 37 report data, plus twenty-five percent. This rate shall be reduced or
 38 inflated as authorized by RCW 74.46.420.

(3) ~~For rates effective July 1, 1996, a nursing facility's noncost-rebased operational component rate ((for the second year of each biennium)) shall be that facility's operational component rate ((as of July 1 of the first year of that biennium)) existing on June 30, 1996, reduced or inflated as authorized by RCW 74.46.420. ((The alternating procedures prescribed in this section for a facility's two July 1 operational rates occurring within each biennium shall be followed in the same order for each succeeding biennium.))~~ The July 1, 1996, operational component rate used to calculate the return on investment (ROI) component rate shall be the inflated prospective operational component rate as of June 30, 1996, excluding any rate increases granted pursuant to RCW 74.46.460.

(4) For rates effective July 1, 1997, a nursing facility's noncost-rebased operational component rate shall be that facility's operational component rate existing on June 30, 1997, reduced or inflated as authorized by RCW 74.46.420. The July 1, 1997, operational component rate used to calculate the return on investment (ROI) component rate shall be the inflated prospective operational component rate as of June 30, 1997, excluding any rate increases granted pursuant to RCW 74.46.460.

~~((4))~~ (5) Median cost(~~(s)~~) limits for peer groups shall be calculated initially for July 1, 1995, rate setting as provided in this chapter on the basis of ~~((the most recent))~~ adjusted 1994 operational cost report information available to the department prior to the calculation of the new rate for July 1, 1995 ~~((of the first fiscal year of each biennium))~~, regardless of whether the adjustments are contested or subject to pending administrative or judicial review. Median costs for peer groups shall be recalculated as provided in this chapter on the basis of the most recent adjusted cost information available to the department on October 31, 1995 ~~((of the first fiscal year of each biennium))~~, and shall apply retroactively to ~~((the prior))~~ July 1, 1995, rates, regardless of whether the adjustments are contested or subject to pending administrative or judicial review. Median cost(~~(s)~~) limits, once calculated utilizing October 31, 1995, adjusted cost information, shall not be adjusted to reflect subsequent administrative or judicial rulings, whether final or not.

Sec. 108. RCW 74.46.510 and 1993 sp.s. c 13 s 16 are each amended to read as follows: